

When Is a Financial Presentation a Compilation?

The AICPA Professional Standards, specifically SSARS No. 1, AR Section 100, define a compilation of financial statements as "presenting in the form of financial statements information that is the representation of management (owners) without undertaking to express any assurance on the statements."

The Standards define a financial statement to be "a presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with generally accepted accounting principles (GAAP) or a comprehensive basis of accounting other than GAAP."

To determine if a compilation engagement has been performed, a CPA must differentiate a financial statement presentation from a trial balance—the

Standards provide guidance for differentiating between a financial statement presentation and a trial balance.

According to the Standards, a financial statement features the combination of similar general ledger accounts to create classifications or account groupings with corresponding subtotals and totals while a trial balance consists of a listing of all of the general ledger accounts and their corresponding balances.

When determining if a financial presentation is a compilation of financial statements, the CPA must ascertain if the financial presentation, regardless of title, intends to present financial position, results of operations, or cash flows.

If the financial presentation intends to present financial position, results of operations, or cash flows, then it is a financial statement.

SSARS No. 1 imposes no requirement on an accountant to report on financial information contained in a tax return.

In other words, if the financial presentation is part of the tax return and used for no other purpose, it would not be considered a financial statement or compilation and as such, no representation concerning such presentation would be required.

The matrix below lists various types of financial data presentations and states if each presentation is a compilation of financial statements and if peer review is required.

Please note that because financial presentation titles may vary, the list is not all-inclusive.

Questions about compilations? Contact J. Michael Barham, CPA, the Board's Deputy Director, by e-mail at mbarham@nccpaboard.gov.

Financial Presentation	Is It a Compilation of Financial Statements?	Is Peer Review Required?
Balance Sheet	Yes	Yes
Statement of Income	Yes	Yes
Statement of Comprehensive Income	Yes	Yes
Statement of Retained Earnings	Yes	Yes
Statement of Cash Flows	Yes	Yes
Statement of Changes in Owners' Equity	Yes	Yes
Statement of Assets and Liability (with or without owners' equity)	Yes	Yes
Statement of Revenue and Expenses	Yes	Yes
Statement of Financial Position	Yes	Yes
Statement of Activities	Yes	Yes
Summary of Operations	Yes	Yes
Statement of Operations by Product Lines	Yes	Yes
Statement of Cash Receipts and Disbursements	Yes	Yes
Trial Balance, without subtotals	No	No
Working Trial Balance, without subtotals	No	No
Adjusted Trial Balance, without subtotals	No	No
Listing of General Ledger Accounts	No	No